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TO RUEHIN/AIT TAIPEI PRIORITY 0000
INFO MISSILE TECHNOLOGY CONTROL REGIME COLLECTIVE
RUEHIL/AMEMBASSY ISLAMABAD 0000

S E C R E T STATE 070164

SIPDIS

E.O. 12958: DECL: 06/13/2033
TAGS: [PARM](#) [MTCRE](#) [PREL](#) [TW](#) [PK](#)
SUBJECT: MACHINE TOOL PROCUREMENT EFFORTS BY ENTITIES OF
PROLIFERATION CONCERN (S)

REF: A. 05 STATE 26545
[1](#)B. 05 AIT TAIPEI 000683
[1](#)C. 06 STATE 010021
[1](#)D. 06 STATE 013670
[1](#)E. 06 AIT TAIPEI 002349
[1](#)F. STATE 057067

Classified By: ISN/MTR DIRECTOR PAM DURHAM;
REASONS 1.4 (B), (C) AND (D).

[1](#)1. (U) This is an action request. AIT Taipei, please see paragraph 4.

[1](#)2. (S) Background: On several occasions since February 2005, the U.S. has shared information with Taiwan regarding efforts by the Pakistan-based intermediary K.M. Enterprises to procure machine tools from firms in Taiwan (reftels). K.M. Enterprises has previously sought Taiwan-origin goods on behalf of entities associated with the National Development Complex, which is the organization responsible for developing Pakistan's Shaheen series of ballistic missiles, and the Project Management Organization, which oversees Pakistan's Ghaznavi ballistic missile program. Both the Ghaznavi and Shaheen missile systems are Missile Technology Control Regime (MTCR) Category I missiles inherently capable of delivering weapons of mass destruction.

[1](#)3. (S) We now have information indicating that K.M. Enterprises has again been working to supply Taiwan-origin machine tools to an entity associated with the Project Management Office. We want to provide this information to Taiwan authorities and urge them to immediately investigate this activity with a view to preventing transfers of Taiwan-origin machinery to missile-related end-users in Pakistan. We also want to share with Taiwan authorities details of a separate effort by K.M. Enterprises to procure machine tools from Taiwan and ask them to use this information to support their ongoing investigation of K.M. Enterprises' procurement activities in Taiwan.

[1](#)4. (S) Action Request: Request AIT Taipei approach appropriate Taiwan authorities to deliver talking points/non-paper in paragraph 5 below and report response. Talking points also may be provided as a non-paper.

[1](#)5. (S) Begin talking points/non-paper:

(SECRET REL TAIWAN)

-- In the spirit of our cooperation on nonproliferation and export control issues, we would like to share with you information of potential proliferation concern and request your assistance in investigating this activity.

-- On a number of occasions, we have discussed with you our concerns regarding efforts by the Pakistan-based intermediary K.M. Enterprises to procure computer numerically controlled (CNC) machine tools from firms in Taiwan.

-- As you will recall, K.M. Enterprises has previously sought goods on behalf of entities associated with the National Development Complex, which is the organization responsible for developing Pakistan's Shaheen series of ballistic missiles.

-- We would now like to provide you with additional information on K.M. Enterprises' efforts to procure machine tools from companies in Taiwan.

-- First, we understand that in April 2008, K.M. Enterprises finalized arrangements to ship a model VTL-1200ATC C CNC vertical lathe from Taiwan's You Ji Machine Industrial Company, Ltd. K.M. Enterprises was coordinating this purchase on behalf of Progressive Engineering Company.

-- Progressive Engineering Company is associated with the Project Management Organization, which is responsible for the development and production of Pakistan's Ghaznavi ballistic missile.

-- You will recall that we alerted you in May 2008 to efforts by Progressive Engineering to procure machining centers from You Ji Machine Industrial Company.

-- Although not controlled, the VTL-1200ATC C lathe could be used in a missile program to machine large, heavy components, such as bulkheads, structural rings, or flanges.

-- As has been the case with other dealings involving K.M. Enterprises and companies in Taiwan, we believe this transaction may be intended to benefit missile programs in Pakistan.

-- We therefore ask you to immediately investigate this activity to determine whether this machine has been exported to Pakistan. We also request you closely scrutinize any other exports from Taiwan to K.M. Enterprises with a view to preventing transfers of Taiwan-origin machinery to missile-related end-users in Pakistan.

-- Second, we have information that as of February 2008, K.M. Enterprises was negotiating with Taiwan's Jiann Sheng Machinery and Electric Industrial Co. for the sale of two CNC die sinking electrical discharge machines.

-- We understand that K.M. Enterprises was likely seeking these machine tools on behalf of Gujranwala Tools, Dies, and Mould Centre (GTDMC), which was established by Pakistan's Technology Upgradation Skill Development Company (TUSDEC). TUSDEC is subordinate to the Pakistani Ministry of Industries, Production, and Special Initiatives.

-- Although these machines are not controlled by the Missile Technology Control Regime (MTCR) or Nuclear Suppliers Group (NSG), electrical discharge machines are extremely accurate cutting tools which can be programmed to machine components with the precision required for missile and nuclear applications.

-- In light of our continuing concerns regarding K.M. Enterprises, we are providing you this information to support your export control efforts as well as your ongoing investigation of K.M. Enterprises' procurement activities in Taiwan.

-- We look forward to continuing cooperation on export control and nonproliferation issues and would appreciate learning of any actions you take in this case at the earliest possible time.

End talking points/non-paper

16. (U) Washington POC is ISN/MTR James Mayes (Phone: 202-647-3185). Please slug any reporting on this issue for ISN and EAP.

¶7. (U) A word version file of this document will be posted
at www.state.sgov.gov/demarche.
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